

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF SEQUOIA PRODUCTION, LLC FOR AN)	
ORDER FROM THE SUPERVISOR OF WELLS APPROVING AN)	
EXCEPTION TO THE WELL SPACING PATTERN ESTABLISHED)	CAUSE NO. 17-2008
BY SPECIAL ORDER NO. 1-86 FOR A 640-ACRE PRAIRIE DU)	
CHIEN GROUP DRILLING UNIT.)	

OPINION AND ORDER

This case involves the Petition of Sequoia Production, LLC (Petitioner). The Petitioner seeks an Order from the Supervisor of Wells (Supervisor) for an exception to Special Order No. 1-86 approving an off pattern drilling unit for the proposed State Big Rapids 1-24 gas well, to be drilled to the Prairie du Chien Group. The proposed drilling unit consists of Section 24, T15N, R10W, Big Rapids Township, Mecosta County. Without a special spacing order, the location of the drilling unit would have to follow a pattern established by the Anger 1-20 well, as required by Special Order No. 1-86.

Jurisdiction

The development of oil and gas in this state is regulated under Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. MCL 324.61501 *et seq.* The purpose of Part 615 is to ensure the orderly development and production of the oil and gas resources of this state MCL 324.61502. To that end, the Supervisor may establish drilling units and well spacing. MCL 324.61513(2) and (5). The spacing and location of wells completed in the Prairie du Chien Group in Big Rapids Township, Mecosta County are subject to Special Order No. 1-86. Under Special Order No. 1-86, exceptions to the spacing and location requirements of that Order can only be approved after an evidentiary hearing. The evidentiary hearing is governed by the applicable provisions of the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 *et seq.* See 1996 MR 9, R 324.1203. The evidentiary hearing in this matter was held on June 24, 2008.

FINDINGS OF FACT

Petitioner specifically requests that the Supervisor issue an Order granting an exception to the spacing pattern otherwise required by Special Order No. 1-86 for a well to be drilled to and completed in the Prairie du Chien Group in Section 24, T15N, R10W, Big Rapids Township, Mecosta County

The Administrative Law Judge determined the Notice of Hearing was properly served and published. No answers to the Petition were filed. Only the Petitioner appeared at the hearing. Therefore, the Petitioner is the only Party in this matter. The Supervisor designated the hearing to be an evidentiary hearing pursuant to R 324.1205(1)(b) and directed substantive evidence be presented in the form of oral testimony.

In support of its case, the Petitioner offered the testimony of Mr. Thomas P. Tenneson, Land Manager and Mr. Kevin P. Corbett, President, Sequoia Production, LLC. Mr. Tenneson was recognized as an expert in the area of land operations. Mr. Corbett was recognized as an expert in the area of geology, geophysics, and general oilfield operations. Once a discovery well has been drilled, Special Order No. 1-86 provides that like spacing shall be applicable to the eight contiguous 640-acre units, forming a spaced area of nine square miles in the shape of a square. The pattern in the area of Petitioner's proposed well was established by the Anger 1-20 well. The drilling unit for the Anger 1-20 well, which remains in effect, consists of the SE 1/4 of Section 19, SW 1/4 of Section 20, NW 1/4 of Section 29, and NE 1/4 of Section 30, T15N, R9W, Colfax Township, Mecosta County.

Mr. Corbett testified seismic exploration has been conducted in the area of Petitioner's proposed well. Petitioner introduced into evidence its structure map (Exhibit 2), constructed from that seismic data and the available well control data, which indicates the maximum potentially productive area comprising the reservoir. Mr. Corbett testified that, based on his analysis of the available geological, well control, and geophysical data, the land comprising the proposed drilling unit is underlain by the same continuous Prairie du Chien structure.

Mr. Corbett further testified there is a structural low in the west half of Section 19 (part of a proper drilling unit under Special Order No. 1-86) that makes that location less desirable to drill on. He believes to include this acreage in the proposed drilling unit along with the east half of Section 24 would constitute waste because it would necessitate a second well to drain the west half of Section 24. It is Mr. Corbett's opinion that one well in Section 24 can efficiently drain the reservoir. Mr. Tenneson testified that Petitioner controls all leases of mineral rights in Section 24.

I find the proposed drilling unit for the Big Rapids 1-24 well, as an exception to Special Order No. 1-86, will prevent waste, and as such, is an approved drilling unit. I find the proposed Big Rapids 1-24 well can efficiently drain the entire reservoir, as outlined by the Petitioner.

CONCLUSIONS OF LAW

Based on the findings of fact, I conclude, as a matter of law:

1. An exception to the drilling unit pattern established by Special Order No. 1-86 and the Anger 1-20 well is appropriate for the proposed Big Rapids 1-24 well, to be drilled to the Prairie du Chien Group. Exceptions to the Order may be granted by the Supervisor after notice and hearing.
2. The Supervisor has jurisdiction over the subject matter and the persons interested therein.
3. Due notice of the time, place, and purpose of the hearing was given as required by law and all interested persons were afforded an opportunity to be heard. 1996 MR 9, R 324.1204


DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor determines an exception to Special Order No. 1-86 is appropriate for the Big Rapids 1-24 well.

NOW, THEREFORE, IT IS ORDERED:

1. An exception to Special Order No. 1-86 is granted authorizing a drilling unit for the Big Rapids 1-24 well consisting of Section 24, T15N, R10W, Big Rapids Township, Mecosta County, Michigan. This exception is for the Big Rapids 1-24 drilling unit only and does not establish a new pattern under Special Order No. 1-86.
2. Approval is granted for a Prairie du Chien Group drilling unit only. All other provisions of Special Order No. 1-86 shall remain in effect.
3. The Supervisor retains jurisdiction in this matter.
4. This Order shall be effective immediately.

DATED: *Aug. 15, 2008*


HAROLD R. FITCH
ASSISTANT SUPERVISOR OF WELLS
Office of Geological Survey
P.O. Box 30256
Lansing, MI 48909

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF SEQUOIA PRODUCTION, LLC FOR)
AN ORDER FROM THE SUPERVISOR OF WELLS)
APPROVING AN EXCEPTION TO THE WELL SPACING) CAUSE NO. 17-2008
PATTERN ESTABLISHED BY SPECIAL ORDER NO. 1-)
86 FOR A 640-ACRE PRAIRIE DU CHIEN FORMATION)
DRILLING UNIT.)

NOTICE OF HEARING

Take notice that a hearing will be held before the Supervisor of Wells (Supervisor) in the city of Lansing, Michigan, on the TWENTY-FOURTH DAY OF JUNE (24) 2008, BEGINNING AT 10:00 A.M., AT THE DEPARTMENT OF ENVIRONMENTAL QUALITY TOM DOWNS HEARING ROOM, ATRIUM LEVEL, SOUTH TOWER, CONSTITUTION HALL, 525 WEST ALLEGAN STREET, LANSING, MICHIGAN. The hearing will be conducted pursuant to Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.61501 et seq.; the administrative rules, 1996 AACRS, 2001 MR 2, 2002 MR 23, R 324.101 et seq.; and the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.

The hearing is for the purpose of receiving testimony and evidence pertaining to the need or desirability of issuing an order in the matter of the petition of Sequoia Production, LLC (Petitioner).

Petitioner seeks an order of the Supervisor to establish an off-pattern 640-acre Prairie du Chien Formation drilling unit for the proposed State Big Rapids 1-24 well, as an exception to the well spacing pattern established under Special Order No. 1-86. The proposed drilling unit consists of Section 24, T15N, R10W, Big Rapids Township, Mecosta County, Michigan.

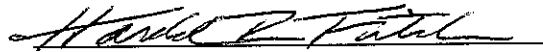
You can obtain a copy of the written petition by requesting it in writing from Mr. Thomas P. Tenneson, P.O. Box 1413, Conifer, CO 80433, telephone number 303-795-7392.

Take note that if you wish to participate as a party in the hearing by presenting evidence or cross-examining witnesses, you shall prepare and mail or otherwise deliver to the Petitioner and Supervisor, not less than 5 days before the hearing date, an answer to the petition in the manner set forth in R 324.1204(6). Proof of mailing or delivering the answer shall be filed with the Supervisor on or before the date of the hearing. The answer shall state with specificity the interested person's position with regard to the petition. Failure to prepare and serve an answer in a timely manner shall preclude you from presenting evidence or cross-examining witnesses at the hearing. If

an answer to the petition is not filed, the Supervisor may elect to consider the petition and enter an order without oral hearing. Mail the answer to the petition to Mr. Thomas P. Tenneson at the above address, and to the Supervisor in care of the Assistant Supervisor of Wells, Mr. Harold R. Fitch, Office of Geological Survey (OGS), P.O. Box 30256, Lansing, Michigan 48909-7756.

Questions regarding Notice of Hearing should be directed to Ms. Susan Maul, OGS, Michigan Department of Environmental Quality, P.O. Box 30256, Lansing, Michigan 48909-7756, phone 517-241-1552. Persons with disabilities needing accommodations for effective participation in this hearing should call or write Ms. Maul at least a week in advance of the hearing date to request mobility, visual, hearing, or other assistance.

Dated: *May 23, 2008*


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